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MEMORANDUM

SUBJECT: The USSR National Budget

National budgets are highly individual matters, making true comparisons between states very difficult and generally unsatisfactory.

To understand the relationship of defense spending to the total Soviet national budget, it is important to keep in mind that the overall budget covers a great deal of activity which in the US is local or private in character. It is as though the US budget included, among others, General Motors, U.S. Steel, and Boeing Aircraft.

The expenditure side of the new Soviet budget for 1968 has been announced as follows:

| | <u>Billion Rubles</u> | <u>Percent</u> |
|--------------------------|---------------------------|----------------|
| National Economy | 50.1 | 40.6 |
| Social-Cultural Measures | 45.7 | 37.0 |
| Defense | 16.7 | 13.5 |
| Other | <u>11.0</u> | <u>8.9</u> |
| | 123.5 | 100.0 |

In this formulation, however, defense is understated, because military R&D and space funds are included in other budget categories. If these are included with the defense budget figure, the total would be some 5 to 6 billion rubles greater, or about 18 percent of the announced 1968 budget plan.

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downgrading and
restoration